

■ BEST PROSPECTS FOR U.S. EXPORTS TO SOUTHERN AFRICA

by Ashley Miller,

Trade Information Center, Trade Development

Based on Country Commercial Guides for the countries in region developed by the U.S. Foreign Commercial Service and the U.S. Department of State.

Africa is often perceived as a single commercial market; however, many regions, countries and economies comprise the African market. Sub-Saharan Africa has four distinct regions: East, West, Central and Southern. Each region holds numerous commercial opportunities for U.S. exporters and companies. The following article focuses on the Southern African region and three of its particularly strong markets: Botswana, Mauritius and South Africa.

For U.S. companies, the Southern African Development Community (SADC) region offers prospects for exports of all types, from pharmaceuticals to industrial and infrastructure-related equipment and telecommunications. Currently, U.S. exports total \$4.4 billion to SADC. The potential for U.S. exports increases as markets in the region become more stable and the demand for more sophisticated and technological goods increases.

The countries of Southern Africa formed the SADC economic bloc in July 1992. During the past decade, 14 countries have ratified the SADC treaty to harmonize policies and strategies for overall economic development within the region as well as to create a trading bloc and customs union for member states. The member states that comprise SADC are Angola, Botswana, Democratic Republic of Congo,

Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. The region boasted a combined Gross Domestic Product of \$178.3 billion and a population of 185 million in 1999.

South Africa anchors this development community and provides leadership, along with Mauritius, on SADC's trade protocol provisions. While SADC's preferential trade program is most directly realized by member states, there are indirect benefits for U.S. exports through economic integration in the region. The United States Government and the SADC administration established the U.S. – SADC Forum as a mechanism to discuss cooperation and development issues. The high-level forum has had several meetings to date featuring social, economic and trade issues.

The following three countries, Botswana, Mauritius and South Africa, represent a sample of the best prospects for U.S. exporters in the SADC region.

BOTSWANA

As with many countries in this region, opportunities for U.S. exporters flow from large government-funded development projects, such as infrastructure projects. The inputs to these projects provide ample opportunity for U.S. companies to enter the market. Botswana's overall market is small; however, in the upcoming years, school, road and hospital projects will create opportunities for construction companies, engineering services and medical equipment firms in Botswana.

Heavy Equipment

The mining sector continues to drive Botswana's economy. Diamond production is the cornerstone of the mining industry, with a new mine set to begin production in 2002. However, the government looks to diversify within the sector and expand other industries such as chemicals, detergents and glass. Opportunities, therefore, exist for heavy machinery. Almost all heavy equipment is imported to Botswana. In 2000, the total market size for heavy equipment was \$65 million, with the United States holding \$2 million in the market.

Medical and Pharmaceuticals Industries

Botswana's budget for 2001 made the health sector a priority and allocated funds to upgrade several regional hospitals. Thus, the medical equipment, pharmaceutical and health care service industries hold great potential for U.S. firms. Additionally, Botswana's government looks toward creation of local pharmaceutical production. U.S. companies have already begun prospecting in Botswana for new facilities or relocation of existing production processes from South Africa. In 2000, the total market size of this sector was \$28 million with the United States representing \$300,000.

Telecommunications Equipment and Supplies

As in much of Southern Africa, the telecommunications market is one of the most promising and demand continues to outpace supply for both equipment and services. The consumer telecommunications market holds opportunities for U.S. firms and demand for personal cellular service

grows. Traditionally, American companies have worked in partnership and joint ventures with Botswana Telecommunication Corporation and other local firms. With the United States holding only \$250,000 of the total \$52 million market, there are more opportunities for U.S. exporters.

MAURITIUS

Mauritius is one of the most business-friendly countries in the region. Several U.S. companies, such as Microsoft, IBM, Hewlett Packard and Oracle, use Mauritius as regional distribution centers for operations. The Government of Mauritius plans to use the information technology sector to create economic stimulus and development in this small island country.

Information Technology

The information technology sector has an average growth rate of 25 percent for imports of information technology equipment. The total market size of the information technology sector is \$53 million, of which the United States has \$6.3 million. Currently in this sector, the United States leads exporting to Mauritius with Singapore a close second.

The "Cyber Island Project" is the current focus of the government in hopes of establishing a Cyber City along with e-education and e-government projects. A major investment from the Government of India of \$100 million dollars and a commitment from the Government of Mauritius to invest \$35 million in the upcoming years will provide a strong backbone for the development of the Cyber City and the sector as a whole.

Telecommunications and Broadcasting Equipment

Mauritius will open up the telecommunications market in January 2004, in compliance with the WTO. Recent liberalization of Internet services and airwaves by the government presents significant business opportunities for U.S. suppliers of equipment and

services to Internet service providers and private radio and television stations. The United States lost some of its market share to France in 2000 and currently holds \$5.8 million of the \$40 million market, or approximately 15 percent.

Within the cellular market best prospects include switching, equipment, relay stations, satellite earth stations, transponders, telephone sets, cellular terminals, coin and card operated payphones, radio and television transmission equipment and programming, aerials, paging equipment, modems, mobile radios and fiber optic cables.

The U.S. Commercial Service in South Africa along with the Government of Mauritius will organize a trade and investment seminar in February 2002. Another upcoming event is a trade mission in June 2002 for U.S. information technology and financial companies to visit the Cyber Island Project.

SOUTH AFRICA

With an advanced economy, sound infrastructure and an ever-strengthening information technology sector, South Africa economically dominates the SADC region. In addition to a thriving agricultural and mining sector, its privatization and liberalization of the telecommunications sector sets a good example for other SADC countries to open markets and will spur investment in telecommunications infrastructure and services.

Telecommunications Services and Equipment

An increasingly open and competitive environment in the telecommunications sector presents ample opportunities for U.S. firms. Analysts predict a 14 percent growth rate in South Africa's telecommunications infrastructure in the next four years. By May 2002, South Africa will open up a second fixed line national operator followed by a third possible network

operator in 2005. Additionally, South Africa's telecommunications giant, Telkom plans substantial upgrades to its system totaling an estimated \$159 million. These upgrades along with the roll out of second and third generation network operators create significant demand for network equipment and services. As the networks grow so will the annual maintenance needs which could amount to \$530 million between 2001 and 2005. The results of these investments will certainly expand the \$6 billion telecommunications market in South Africa.

Computer Software and Services

The United States dominates the software sector in South Africa, holding approximately 84 percent, or \$836 million, of the \$1 billion market. The real boom for software and computer services is expected to come from the small and medium-sized enterprises (SMEs). As the SME sector grows and becomes more sophisticated, many companies look toward new technology as a part of their business strategy. The Government of South Africa will also increase the demand for computer software and services as it looks to replace and upgrade its outdated systems. The government's estimated spending is \$1.8 billion annually on computer systems and services. ■

For More Information:

For more details on the country-specifics for U.S. exporters to Africa, please visit www.usatrade.gov to review the various market reports prepared by the U.S. Embassy Commercial Service Offices, as well as export promotion services and upcoming trade shows available. Also U.S. Commercial Service business counseling services are available throughout the United States through 105 U.S. Export Assistance Centers (USEACs). Contact information for these USEACs are also available on the back of this publication or at www.usatrade.gov.